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Correspondent of The National City Bank of New York

1812

THE NATIONAL CITY BANK OF NEW YORK

1923

Economic Conditions
Governmental Finance
United States Securities

New York, May, 1923

Outlook for Crops

THE Spring has been backward for agricultural operations, so that the crops are not getting a very favorable start; there is a movement of labor away from the farms, notably in the Southern States, as a result of the revival of industry in the cities; the general rise of commodity prices in recent months has been adverse to the farmer; but there is evidence that up to April 1st the farmers were planning no relaxation of their efforts to plant and cultivate as large an acreage as ever before. The Department of Agriculture has made this season a new departure, in an attempt to ascertain before the planting season is over how the farmers are intending to distribute their acreage, the object being to get the information back to the farmers in time to possibly prompt them to make some readjustments if the reports reveal an unbalanced situation. The following table is based upon reports received mainly in the first ten days of April, from many thousands of crop reporters, giving actual acreage of crops grown on their own farms in 1922 and acres intended to be planted in 1923:

INTENDED PLANTING 1923

Crops	Per cent 1922 Acreage	Per cent of past five years' acreage (1918-22)	Per cent of five year average acreage (1909-13)
Cotton per cent of planted acreage	112.0	109.0	108.7
Spring wheat per cent of harvested acreage	94.5	83.8	96.5
Corn per cent of harvested acreage	102.6	103.2	100.9
Oats per cent of harvested acreage	102.6	97.8	111.9
Barley per cent of harvested acreage	105.7	100.5	102.5
Flax per cent of harvested acreage	189.0	162.7	99.3
Irish Potatoes per cent of harvested acreage	90.9	99.6	107.6
Sweet Potatoes per cent of harvested acreage	97.5	107.6	175.8
Tobacco per cent of harvested acreage	110.0	108.9	155.1

The sowing of Spring wheat has been affected by unfavorable weather conditions and by the increased acreage intended for flax in Minnesota and the Dakotas. The latter is nearly doubled in these states. The intention to plant more corn and oats is in part for the purpose of taking the place of winter-killed wheat. The acreage intended for corn is somewhat reduced in the Southern States, where the farmers are going back to cotton as strongly as they can. A notable decline of the acreage in potatoes is forecast, the natural result of a big crop and low prices in 1922. The proposed increase in land devoted to cotton, on the other hand, represents an expected response to the high price now prevailing. The increase in tobacco acreage also reflects present prices.

On the whole the report indicates a purpose to get the full possible acreage into crop, but the cold and wet weather of April may have the effect of reducing the intended plantings.

Winter wheat came through the season to March 1st in fairly good condition, but has suffered since. Freezing weather in March and high winds with lack of rain have resulted in the abandonment of a large acreage in the strip of territory extending from western Nebraska to northwestern Texas. The price has been higher in response to crop news, but the outlook now is for a larger carry-over than last year. Canada also has a large amount of wheat yet to market.

Cotton Situation

The crop in which the greatest amount of interest centers at this time is cotton, due to the fact that at the rate of consumption since the last crop was harvested there is scarcely enough cotton in sight to last until the new crop will be available. Mill consumption in this country is now running at an unprecedented rate, the Census Bureau's figures for March being 623,000 bales. Up to about the middle of March bull sentiment was very strong, but talk about increased acreage, effects of freezing weather upon the boll weevil, and some slackening in the demand for goods, started a liquidation which carried the price down about 4 cents per pound. Naturally, the cotton goods market has weakened, and in view of the fact that the new crop options are

several cents per pound below the deliveries for the present crop year, it seems reasonable to expect a waiting market for goods. At this writing raw cotton can be bought for October delivery at about 25 cents per pound, as against about 28 cents delivery in the present month, a situation which does not offer encouragement for merchants to carry cotton goods in excess of immediate demands, or for mills to buy cotton for immediate use except as they are covered by orders. Of course the ultimate outcome will depend on the crop. If there is any carry-over of old cotton into the new crop year, there will be a carry-over of demand that will fully offset it. Since August 1st last the consumption of American cotton has been at the rate of about 13,000,000 bales per annum, and at this time the prospect is for a crop this season of less rather than more than 13,000,000 bales. The situation is the most critical the cotton goods trade has known in a long time. On its face there seems to be justification for higher prices, but on the other hand there must be considered the repressive effects upon consumption of such a price as 25 or 30 cents per pound. At what price will the world take 13,000,000 bales of American cotton in the year beginning August 1st, 1923, if that should be the yield? That is the problem which is agitating the dealers in cotton at the present time. One thing is reasonably certain, to-wit, the growers are assured of a good price for all they can produce this year.

Corn and Hogs

The reports received by the Department of Agriculture, and the course of the markets as well, indicate that the production of corn and hogs is again in balanced relations. The increase in pork production in the past winter was about 30 per cent. over the winter before. Moreover, the storage holdings of pork and lard on April 1, 1923, were 929,000,000 pounds, as compared with 677,000,000 pounds at the same date in 1922. The average holdings of corn on March 1st, for the ten years 1909-18, were 1,027,298 bushels. From 1918 to 1923 the number of hogs in the country January 1st and the number of bushels of corn on March 1st have been regularly estimated by the Department of Agriculture as follows:

	Number of hogs	Bushels of corn
1918	70,978,000	1,262,229,000
1919	74,584,000	859,752,000
1920	59,344,000	1,050,058,000
1921	56,097,000	1,587,165,000
1922	57,834,000	1,349,360,000
1923	63,424,000	1,116,997,000

The above figures show why corn was cheap in 1921 and hogs at the same time brought good prices. They serve to illustrate the fact that price is based upon supply and demand rather than directly upon cost, although, in the long run, in a free market, supply will depend upon cost. It was cheap making pork in 1921 and 1922, but pork nevertheless brought a high price, because the supply was short. The high price of pork, however, induced the breeding of more hogs, which are now furnishing a larger market for corn, with the result that corn has been advancing and hogs declining, a natural system of price adjustment far more trustworthy than any system of artificial regulation.

Tobacco and Potatoes

Tobacco is bringing a good price and the acreage seems likely to be largely increased. Potatoes are bringing a low price and the acreage will be largely decreased. It is easy to see what has been the matter with potato prices. The acreage last year was large, and the average yield per acre also large. The big consuming sections of the country had enough potatoes grown locally to nearly supply their wants and did not require to import them long distances, hence potatoes were in over-supply in states like Minnesota, the Dakotas and Idaho. Potatoes are not a crop that stands shipment very well or that can be carried over from one year to another. Incidentally, as they are not a crop traded in on the exchanges, the low price could not be laid at that door.

The Dangers of Crop Regulation

The impracticability of general efforts to regulate the crops by any system of overhead control has been illustrated by several recent instances. A strong effort was made in the winter of 1922, in the interests of the beet sugar producers of this country, to induce the cane producers of Cuba to limit their output of sugar to 2,500,000 tons. It was urged that unless this was done the beet sugar industry would be ruined by the low price, and for its protection the customs duty was raised to 2.2 cents per pound, less the reciprocity concession of 20 per cent. There is no doubt that the beet sugar people were sincerely alarmed. They could not hope to compete with Cuban sugar at 2 cents per pound, the price at which it was then selling, they did not foresee the great increase of consumption, the drought in Cuba, or dream of Cuban sugar rising to 6 cents. Now, notwithstanding the fact that the Cuban crop is estimated at 3,500,000 to 3,750,000 tons, there is alarm lest there be a scarcity; what would the situation have been with the Cuban crop only 2,500,000 tons?

The present situation in cotton is a demonstration that there has been no real need for the artificial curtailment of that crop in recent years. Any amount that might have been grown in 1921 or 1922 would have been wanted by 1923 or 1924. The agitation for restricting

the acreage in corn in 1922 accomplished little, but is seen now to have been quite unnecessary.

These examples are sufficient to show that attempts to regulate production by mass movements are likely to result in colossal blundering. The whole theory of appealing to masses of people to restrict production is unsound. As a rule what is needed is not general restriction, but a proper distribution of effort. It is well to give all available information, but the individual farmer is the best judge of the policies suited to his circumstances . If, in fact, there should be a general over-production of farm products, the remedy would not be in general curtailment, but by having some of the farm population enter other industries, but they should act on their own volition, those changing who will make the least sacrifice by changing. A movement of this kind takes place naturally.

The Raisin-Growers' Plans

The campaign of the Sun-Maid Raisin Growers of California, the co-operative organization of raisin producers, to raise $2,500,000 of new capital to finance their marketing operations has been completed, the sum being raised. They were aided in its completion by subscriptions aggregating $150,000 from the membership of the Chamber of Commerce of Los Angeles and $250,000 by the membership of the Chamber of Commerce of San Francisco. The business men of the smaller cities located in the raisin territory supported the effort very actively and liberally. Such instances as this give the best answer to the demagogues who are trying to set the country districts against the cities.

Industry and Trade

The last few weeks have seen a slowing down of trade activity in wholesale quarters, but no let-up of industrial activity. Apparently the edge is off the demand, or buyers have satisfied their wants for the present, but the relaxation of interest is not interpreted as signifying any falling off of consumption or real weakness in the situation. Production in the principal lines is at a very high rate, and measurably meeting requirements, while the numerous warnings that have been sounded against the danger of rapid price advances may have had some influence in tempering the zest of buyers.

Some price recessions have occurred, notably in the metals, cotton and cotton goods, crude oil and gasoline. Weakness in oil and its products is due to the record-breaking stocks and production resulting from the rapid increase of the California output. The consumption of oil products is breaking all records, but not keeping pace with the supply. The production of both cotton and woolen goods is the highest ever known, and practically at the capacity of the industries. Wool is strong, the best territory product selling up to 50 cents per pound and above.

The industrial situation seems to be well-supported by the great amount of construction work in sight. Bradstreet's reports of building permits issued in 165 cities in March show contemplated expenditures 55 per cent in excess of the same month last year, and for the first quarter 53 per cent in excess of last year. Cement shipments in March were 47 per cent in excess of March, 1922. Railroad traffic is very heavy, the roads are still giving orders for equipment, and have great expenditures in prospect. Notably, the Central Pacific will complete its double track from Ogden to Sacramento, and the Atchison, Topeka & Santa Fe will also complete its double track to the coast. Between January 1, 1922 and March 15, 1923, the railroads ordered 223,616 new freight cars and 4,219 new locomotives. Expenditure for equipment in 1922 aggregated $245,000,000 and for this year will reach about $675,000,000. When it is considered that the construction of houses and railroad equipment has been the leading factor in the business revival it is significant that as yet no decline is to be seen in these quarters.

Activity in the manufacture of house furniture naturally goes with activity in house building. The industry is fully employed, shipments in February passing all records for that month. Costs and prices have been rising since last September.

Trade reports are uniformly good, and while some pessimistic opinions are coming from farming districts where grain or cotton production is the predominant interest, the country generally sees improving conditions. As illustrating the movement of merchandise, department stores in New York State reporting total sales to the Federal Reserve Bank of New York, show for March a gain of 13 per cent. over that month in 1922. Mail order houses and chain stores show much larger figures. In wholesale lines machine tools lead the list of gains with an increase of 254 per cent. over March of last year. Other gains in wholesale trade were: Jewelry, 73 per cent; diamonds, 56 per cent; dry goods, 29 per cent; men's clothing, 52 per cent; women's clothing, 13 per cent.; hardware, 20 per cent.; shoes, 17 per cent.; drugs, 16 per cent.; stationery, 13 per cent., and groceries, 9 per cent.

In view of the many signs of strength which the situation manifests, the lull in wholesale buying which has been noted of late may be taken as a favorable rather than unfavorable development. The real danger feared by careful observers has been a congestion of demands, with a rise of prices and industrial

costs that would throw the situation out of balance and curtail consumption.

Manufacturers are disposed to absorb increasing costs without advancing prices, so far as increasing profits arising from full operations enable them to do so. Anxiety is felt everywhere as to the effect of rising prices upon consumption. Manufacturing profits in the principal industries, however, have been small since raw materials began to advance, and most of the wage-increases now being made must be eventually reflected in prices.

The automobile industry has distinguished itself by a remarkable record this Spring. Production in March was about 346,000 cars and trucks, much above that of any previous month in its history, and April is expected to show about 351,000. Rumors of pending price-advances possibly have had some influence in stimulating buying. Competition is sharp, and producing companies are disinclined to make advances if they can avoid them. Prices are on a lower level than at any time in the past, which in itself is a wonderful achievement, considering the rise of wage-rates and materials, but it does not tell the whole story, for the companies are giving better values than ever before. The cars are more reliable, with lower upkeep costs, than in earlier years. The automobile industry has a right to be proud of the demonstration it has given of engineering and manufacturing efficiency.

Farm buying of cars is much larger than last year. The industry is counting on good business in the second half year, although doubtless sales will fall below the first half, as this is usual.

Wage Situation

The rise of industrial costs, as manifested in advancing wages, has been the chief cause of apprehension, and no doubt has been mainly responsible for the spirit of hesitation shown in the markets. The indications are that the country has a smaller supply of manual laborers than it had in 1920. When any suggestion is made that the immigration law should be modified to permit some of the unemployed labor of Europe to come here and have work, it seems to be assumed that the only question involved is that of wages, and that this is altogether a matter between employers and employes. There is more involved. High prices may be counted upon to increase the supply of any product which can be readily produced, but high wages will not increase the supply of laborers in the United States when a bar exists against immigration. The work in demand will not be done. It is true that wages may be raised to a point where they will be attracted from the farms, but that will mean higher living costs for the entire population. The country should understand what the present immigration policy means, and not imagine that nobody will be affected but the employers who give the warning. The coal operators, steel and cement manufacturers and other employers can afford to raise wages as long as consumers can afford to buy the products; it will be only as buying falls off that the employers will be injured, and this will signify that industry is slowing down, production diminishing and everybody being injured.

A Competitive Situation

A state of sharp competition exists among the industries for labor. With the modern investment in equipment, it is of great importance in economical production to operate as nearly to capacity as possible. The competition for labor is not simply between employers in similar industries; the several branches of industries are competing with each other. It is an irrepressible competition, so long as a shortage of labor exists and until the industries which can afford to bid highest are fully supplied. The iron and steel companies raised wages by 20 per cent last September, not to avert a strike, but to hold and increase their labor supply. Since then increases have been going on in other lines, and on the 16th of last month wages in the steel industry were again advanced, so that the lowest paid labor now receives $4 per day. Other lines are promptly coming to the same level, and in some instances had already set the mark. The packing industry has restored the reductions painfully obtained two years ago. In the textile industries of New England, where wages were advanced by about 150 per cent in the war boom, a cut of 22½ per cent was made in December, 1920. From that level an increase of 12½ per cent has now been agreed to. In the clothing industry, where very large increases were made in war time from which moderate reductions have since been made, increases have now been granted, restoring wages either to the war level or near it. Agitation is developing among the railroad employes, and upon some of the roads wage increases have been recently granted. These lines of industry are not related, and there is little likelihood of labor shifting between the railroads and the textile industries, but taking the industries together much shifting is practicable, and directly or indirectly the entire wage structure is related.

When this general advance is completed, the whole situation will be about where it was at the beginning. That is to say, if the demand for labor is still unsatisfied, competition will continue and a new round of advances will begin, and there will be no stopping place until the high prices resulting have effected such a curtailment of consumption that the demand for labor in the industries is satisfied.

The Value of Industrial Stability

We make no argument against the legitimacy of these increases, or the right of the wage-earners to make the most of every opportunity to better their condition. That right is unchallenged; the only question that can arise is as to the best policy, judged from their own standpoint.

There is much complaint about the instability of industry, with the economic losses and human suffering that result from the recurring periods of depression and unemployment. It is agreed that they are deplorable, and that it is highly desirable that greater stability be given to employment and to wages and prices. The periods of depression and employment, however, result from periods of excessive stimulation, which carry wages and prices to levels at which they cannot be long maintained. They last only while a state of shortage is being made up. They represent an extreme in one direction, which is always a reaction from an extreme in the other direction. These extremes are not caused by manipulation or design, or even by the mistakes of a few people, but by a state of mind that pervades the whole population. It is the buying, borrowing and spending of the millions that make the boom times, and that carry the cost of living and of industrial improvements so high that a reaction is inevitable. If the reactions are to be averted, the booms must be prevented, and that can be accomplished only by the good sense, self-restraint and co-operation of all the people who have some sense of responsibility for what happens.

It has been demonstrated that there is such a movement as the business cycle, in which business activity gradually increases, the increase of production and individual incomes affording more and more buying power, until the climax is reached at the point where industrial activity is at the limit of the capacity of the labor supply and equipment. When that point has been reached a state of inflation follows, where wages and prices rise rapidly together but without any increase of production. This stage ends eventually in a collapse, with a great fall of prices, stagnation in industry and unemployment. The gains that labor seemed to be making during the boom period vanish. Millions of people find themselves involved in indebtedness which they cannot meet, and a scale of living expenses which they cannot maintain. The process of adjustment involves terrible hardships to many.

Balanced Relationships

A state of real and enduring prosperity reqires a balanced relationship between the workers in all branches of industry, including agriculture. The whole scheme of modern, specialized industry is that of a system in which the people all exchange products and services. When everybody is at work and doing his best faithfully, and the organization is so nicely balanced that the products of each industry are promptly absorbed by the people in the other industries, the whole industrial body enjoys prosperity. This balanced state the workers in every branch of industry should seek to maintain. They are all best served by keeping the organization as a whole in a state of efficiency. If the purchasing power of any group is curtailed the effects are felt by every other group. This does not signify that the people in all the groups must have the same compensation. The relative compensation is worked out naturally, on a competitive basis, but when an adjustment has been reached, the population is distributed on that basis, and a state of equilibrium established, the compensation of important groups cannot be radically changed without reactions throughout the organization.

Wage Increases As a Factor in Prosperity

It has been claimed in some quarters that great benefits were achieved for organized labor by resisting the natural readjustment of wages downward in 1921. If an accurate calculation could be made it doubtless would show that the wage-earners lost more by unemployment and by keeping up the cost of living than their gains amounted to. It is likewise argued in some quarters that the present wage-advances are a great stimulus to prosperity, but it would be impossible to name any wage-increases which are not deducted from the income of somebody and consequently will diminish purchases somewhere. An increase of wage-payments which is occasioned by more employment and increased production means a gain to wage-earners, but a round of wage-increases which are simply added to the costs of production and the prices of the products do not signify any lasting gain.

As between the farmers and wage-earners, where the chief issue now lies, a rise of wages without any corresponding rise in the prices of farm products means that to the extent that the wage-earners consume each other's products they pay for the rise themselves, while in the case of the farmer as a normal consumer, his purchases will be reduced and the falling off will affect the industries unfavorably. The same is true of all classes except the particular wage-earners whose wages have been increased. Moreover, in the long run if the compensation of the farmer remains below the level of that in the other industries there will be a shift of labor from the farms to the industries until higher prices for farm products or lower compensation in the other industries restores the equilibrium. Meanwhile, however,

while these adjustments are being made there will be mal-adjustment and bad times for everybody.

All groups and classes are best served by maintaining the normal equilibrium—that is to say, the equilibrium which the natural competitive forces tend to establish. A general rise of wages, which has the effect of diminishing the compensation of the farmer can be neither justified in morals nor made permanent. And of course the same would be true of any arbitrary effort to force wages below the normal level of compensation, cost of living considered.

Banking and Investments

The tendency to loan expansion has been slower in recent weeks. From December 27, 1922, to March 14, the so-called commercial loans of reporting member banks, i. e., all loans not secured by stocks and bonds, rose from $7,263,941,000 to $7,742,123,000, and from March 14 to April 18, they rose to $7,789,998,000. From December 27, 1922, to April 18, 1923, these member banks reduced their holdings of government and other securities from $4,822,844,000 to $4,676,281. These holdings compare with $3,858,216,000 on April 19, 1922. During 1922 the banks were buying securities to employ their idle funds, but in 1923 they have let go securities to the amount of $146,563,000, to meet the growing commercial demands.

Total earning assets of the Federal reserve banks on April 25, 1923, were $1,104,489,000, which compares with $1,339,000,000 on January 3, 1923, and $1,149, 850,000 on April 26, 1922. There is a difference, however, in the character of these assets. The reserve banks, like the member banks, have been reducing their investment holdings and increasing their holdings of commercial paper. Their bill holdings on April 26, 1922, were $582,615,000, on January 3, 1923, $882,827,000, and on April 25, 1923, $910,638,000.

The reserve banks have been free buyers of bills in the open market, primarily to give them earning assets, but this purpose harmonizes with the policy of providing a favorable market for bills arising in the foreign trade, in which American bankers have to meet foreign competition. The acceptance rate after rising from 4 per cent to 4¼ has subsided to 4⅛.

The total loans, discounts and investments of 801 reporting member banks on April 19, 1922, were $14,704,075,000, and of 777 reporting banks on April 18, 1923, $16,501,317. Of this increase, aggregating about $1,800,000,000, about $818,000,000 was in investments and the remainder in loans.

It is interesting to note that the increase of $1,800,000,000 of loans and investments in the past year has been accomplished by means of an increase in their reserves of $176,000,000 and an increase in their rediscounts of $280,000,000.

The increase of reserves has resulted from gold imports, and the year's development shows the tendency of bank loans or investments to increase in correspondence with any increase of reserves. The gold imports of the past year have represented payments made to individuals or business houses, and have gone to the credit of the recipients on the books of the banks with whom they do business, and the gold has been passed on to the reserve banks, swelling the reserve deposits of the member banks. The latter have either bought securities or made loans, not for simply the amount of these gold deposits, but for approximately ten times that amount, on the basis of required reserves.

This is an important fact to keep in mind in measuring the credit expansion that has taken place in the past year, for it explains how it has been possible for the member banks to finance the rising tide of business with no greater resort to the reserve banks. The gold importations have enabled them to do it, and for this reason the comparatively small increase of rediscounts at the reserve banks cannot be taken as the true measure of expansion. But for these gold imports, which are very large as compared with pre-war years, the member banks could not have enlarged their loans as they have done without much greater resort to the reserve banks.

The United States Treasury approaches the final act of its large refunding operations this month. There remain outstanding about $775,000,000 of the original Victory notes, falling due on the 20th of this month. It is understood that the Treasury will offer an issue of $500,000,000 short time securities, of different maturities, but probably not running over three years. The policy is to keep a large part of the debt in this form, as a market for them evidently exists, and the succeeding maturities enable the Treasury to apply surplus revenues to the payment of principal. No definite announcement has been made as to terms, but as the outstanding government issues of this class are yielding about 4.65 at the present time, it is thought tha tthe rate may be about 4.75.

The Anderson Report

The responsibility for the high cost of foodstuffs and finished products to the consumer, as contrasted with the low prices received by farmers and producers of raw materials, has long been a cause of bitter controversy.

The farmers and consumers generally believe that dealers and manufacturers make excessive profits, and are free with their charges to

that effect. On the other hand the dealers and manufacturers declare that their profits are not excessive, that they are doing business under strenuous competitive conditions, and point to the list of bankruptcies to show the pressure under which they are operating.

Various organizations have undertaken to explore the subject and to furnish authentic information. Perhaps the most important of these efforts has been the investigation conducted by the Harvard School of Business Research, which has examined the books of dealers in many lines of business, analyzed the results and published figures showing average sales, operating costs and profits.

The most extensive inquiry ever conducted is that which has been carried on by the Joint Congressional Commission of Agricultural Inquiry, of which the Hon. Sydney Anderson, member of the House from Minnesota, is Chairman. We have referred to the work of this Commission before, but not to this phase of it, and in touching upon this investigation into profits it is well to again name the members. In addition to the Chairman the Commission is composed of Senators Lenroot, of Wisconsin; Capper, of Kansas; McNary, of Oregon; Robinson, of Arkansas; Harrison, of Mississippi, and Congressmen Funk, of Illinois; Summer, of Texas; Mills and Ten Eyck, of New York. It will be seen that most of the members are from states in which agriculture is the predominant influence, and nobody will suggest that the Commission might be dominated by big business or biased in favor of middlemen. For this reason, as well as for the thoroughness of the inquiry, the Commission's findings are probably as valuable and interesting as any economic study ever made in this country. Owing to the vast scope of the work and the tremendous detail involved, the Chairman enlisted the support of a staff of nearly 3,000 experts in industry, banking, transportation and agriculture. A year was required for the prosecution of the work.

The Commission found its task to be exceedingly complex. In every price investigated it was found that thousands of other prices were intimately related and that to isolate one from the other was impossible. This is the first lesson to be learned in any movement toward price-regulation.

The Findings

The findings at first sight might seem to justify the complaint that there is something radically wrong in the methods by which goods are passed from producers to consumers. The startling fact is brought out that on the average of every dollar spent by the consumer, 49 cents represents the cost of selling and distribution, while 20 cents goes to the primary producer, 17 cents to the manufacturer and 14 cents in profits to the retailer, wholesaler and manufacturer, profits in this case including interest in invested capital. The natural inclination is to say that this distribution is unfair, but the Commission does not find that anybody is getting inordinate pay for the service rendered.

It is perhaps natural to lay greater emphasis upon the value of the service rendered in creating something than upon that of moving it or handling it in trade, but it does not necessarily follow that more labor or skill is expected.

The truth seems to be that the public, in this country at least, has grown to expect such a variety of goods and services that more people are engaged in the secondary processes than are engaged in primary production. To be exact, of 41,614,248 people engaged in gainful occupations in this country, 29,570,867 or about 71 per cent are engaged in manufacturing, transportation, distribution and allied activities. In view of these figures why regard it as extraordinary that the primary producer gets less than one-half? The fact is that we are accustomed to a narrow meaning of the term "production." The act of transportation from one section of the country to another, or of delivering from the grocery store to the kitchen, is part of the process of producing the commodities where they are wanted, and every act of grading or preparing them for market is part of the process of producing them as they are wanted by consumers.

There is a common theory that a great number of superfluous people have interposed themselves between producers and consumers, but common observation should teach that buyers are always studying how to get to original sources and procure their supplies as cheaply as possible. The idea that goods may be handled over and over indefinitely with each holder exacting a profit without rendering any service, is too simple to be believed by anybody who has had much business experience, but it is widely believed, and the Commission renders a service in disproving it.

Some Itemized Costs

Mr. Anderson, the Chairman of the Commission, has contributed an exceedingly interesting article on the results of the Commission's work to a recent issue of "The Nation's Business." He cites a number of instances in which the exact proportions of costs have been worked out, using articles of ordinary household consumption. In the case of a package of rolled oats, retailing at 20 cents and made from oats which the original producer sold for 32 cents a bushel, he gives the following proportions: Of the 20 cents, the retailer got 4.2 cents, of which 3.2 cents represented his expenses of

doing business and 1 cent his profit. The wholesaler who handled the goods received 1.8 cents, of which 1.5 represented expenses and .3 cents was profit. The manufacturer got 9.6 cents, of which 2 cents was profit, 1.2 cents taxes, 1.6 cents transportation, 1.7 cents advertising, 1.3 cents selling cost and 1.8 cents cost of manufacture. The elevator which handled the oats got .4 cent, the railroad company .5 cent, and the farmer that produced them got 3.5 cents.

The farmer may think that this gives a disproportionate amount for the labor of producing the oats, but, as Mr. Anderson points out, the purchaser of a package of breakfast food pays not only for the oats but for a paper box and an airtight container, part of the wages of the lumberjack who felled the tree and the pulp maker who helped to make the carton, and so on ad infinitum. Every item represents a labor cost.

Take the figures for a 10 cent loaf of bread. The retailer got 1.9 cents, of which .3 cent was profit and 1.6 cents expense; 4.3 cents went to the manufacturing baker, of which .6 cent was profit, .8 cent overhead, 1.6 cents selling expense, and 1.3 cents cost of manufacture. Milling the flour cost 1 cent, handling through the elevator .3 cent, and the farmer got 2.8 cents.

These figures, and thousands more that are available in the complete printed report of the Commission, fail to show excessive profits to any particular group in our economic machinery. Some of the service may seem to be unnecessary, but if people insist on the frills they must pay for them, and there is no way of collecting except by adding to the cost of commodities. The records of success and failure of small businesses in this country show that store-keeping is no gold mine, and the margin of profit on which big business operates is everywhere small.

The margin upon which the retailer operates in the line of perishable food supplies must cover heavy wastage. There are trading risks in all lines, and it is for the purpose of minimizing these to dealers that the speculative markets are maintained as in grain and cotton.

The Commission's Conclusions

The conclusion reached by the Commission is that there is no single factor in the complex modern price structure which can be said to be principally responsible for the spread between producers' and consumers' prices. While it holds that the spread is uneconomic, it believes that the only hope of reducing it is by attacking every point in the chain of producing, manufacturing and distributing processes. Mr. Anderson summed up his personal statement as follows:

I would have made almost any sacrifice or would have given almost anything which it was in my power to give if as a result of this investigation it had been possible to develop a formula, a new rule of thumb plan of distribution which could have been applied to the situation much as a mustard plaster is applied to the back of the patient to eliminate pain, but I am convinced that there is no such formula and that if there were, there are so many more people in the world who prefer pills to mustard plasters that it would be possible to secure only a partial result. After all, no two cases are alike and the doctor must have cooperation from the patient.

In other words, the Commission finds that the development of more expensive methods and service in distribution is in obedience to the wants of the public, and that it is useless to decry such methods if the public insists upon having them.

Increasing Varieties

The Commission suggests that one obvious point where a start can be made is the elimination of countless thousands of varieties, kinds, styles and sizes. The stocks of goods offered consumers have become multiplied beyond all reason, necessitating the carrying of much larger stocks than are necessary on the part of dealers, thus tying up much material and credit, all of which has ultimately to be borne by the consumer. Nevertheless, a dealer who has the variety makes an appeal which is persuasive with the average buyer.

The above refers to varieties of substantially the same kind of goods, but there has been an enormous increase in recent years of the kinds of goods offered to the public. Any one who will examine an old-time price-list will be impressed with the small variety of goods quoted. It would be interesting to compare the list of specialties on the shelves of a modern drug store with the stock of such a store fifty years ago.

The diet of the people of this country is much more varied than formerly, and more varied than that of the people of most other countries. Modern refrigeration has much to do with this. Refrigeration of itself effects economies, but by making practicable the shipment of all kinds of perishable products over long distances it has increased their consumption on a great scale. Eggs, fresh fruit, canteloupe and vegetables in quantities are hauled across the continent and enter into the daily diet. Of course the cost of such transportation and the accompanying refrigeration widens the spread between producer and consumer.

The Growth of Cities

The growth of cities is another factor in higher costs to their inhabitants. The congestion of traffic and physical difficulties that attach to city delivery are increased as population grows.

The Commission attributes much of the spread to the poor market facilities for perishables which exist in many American cities. The report states that "it is the belief of the Commission that the lack of properly established joint terminal markets is responsible for many of the extravagant costs in the distribution of agricultural products and that steps should be taken by municipalities, transportation companies, and marketing agencies to create facilities for efficient handling and conservation of foodstuffs."

This presents a phase of the subject upon which official inquiry has especial value, because municipal action may be helpful. Many American cities have problems of this sort which have been created simply by city growth with a lack of city-planning. Large sums of money must be provided to deal with such a situation. The situation in New York is illustrated by the recent announcement that the Erie Railroad intends to give up its piers in Manhattan and accept food products for shipment no further than the Jersey shore. The reason given for this move is that pier rent and lighterage charges have grown so heavy they can no longer be borne, but the changes likely to result are fairly certain to be reflected in higher food prices. The remedy for the congestion of the large cities would seem to be in the competition of smaller cities.

Far from being indifferent to terminal and warehousing problems, the railroads have been expending enormous sums in recent years, but the restrictive attitude of the public authorities upon the subject of railroad earnings has made it difficult for the companies to obtain the capital needed for comprehensive plans looking to future needs.

Besides the railroad expenditures upon terminal facilities other private corporations have expended large sums for such purposes. The costly equipment maintained at lake and ocean ports for dumping coal and ore shows a keen appreciation of the desirability of reducing handling expenses. At several ports, notably New Orleans, great expenditures have been made by the use of public credit for warehouses and economical handling facilities. The States of New York and New Jersey have united in creating a district including the entire port of New York harbor, and expenditures running into hundreds of millions of dollars are contemplated for giving it the best of facilities. The State of New York has expended approximately $170,000,000 upon the new Erie Canal, which is free to traffic, and for harbor facilities at Buffalo, New York and the principal cities on the canal between. These facilities include a great terminal elevator at New York harbor. All of this shows that there is no indifference upon the subject of the economical handling of goods in transit.

Grading and Marketing

The Commission found that many collateral subjects must be studied before an intelligent picture of the whole problem could be secured. One of the most important of these had to do with the problems of farm marketing and the possibility of increasing returns to the original producer through cooperative selling and through better grading and classification of produce. It was found that practically all of the grading of farm products was in other than farmers' hands and that a large part of the difference between farm and market prices was due to the complex organization which middlemen must maintain to sort and grade produce before it can be sent to the consuming markets. The Commission is disposed to encourage the development of these services in the hands of the farmers, but the immediate value of the inquiry is in showing that these services are necessary and are an important factor in the present situation. Of course, the farmers have the opportunity to improve upon or cheapen existing methods if they can.

One oft-repeated canard that fruit and vegetable prices are sometimes maintained by destroying large quantities of such products in order to keep up the price was investigated by the Commission and thoroughly exploded. The only case where food had been destroyed was found to be by order of boards of health in cases where food had become unfit for consumption.

Inefficient Business Methods

One of the results of the investigation has been to show that a great part of the business of the country is done by very loose and slipshod methods. The Commission says that only 9 per cent of the country's manufacturers have cost systems, while comparatively few producers, manufacturers or distributors were able to supply dependable data based on their own experience. It was clear to the Commission that if all business enterprises were as efficient as those that are now operating on the lowest costs basis, a great reduction in the cost of living would be possible. The most valuable lesson to be derived from this conclusion is not touched upon by the Commission: it shows that large profits by individual dealers are not necessarily proof of exorbitant charges, but are more likely to signify efficient management and low costs.

This fact is repeatedly demonstrated, but the public comprehends it so little that a showing of large profits usually is taken as evidence that the concern making them is charging excessive prices, although their prices may be lower than those of competitors who have difficulty in making any profits at all. So long

as a considerable share of the required production of any commodity is supplied by inefficient, high-cost producers, the market price must be high enough to enable them to remain in business, and the low-cost producers naturally reap the benefit of this situation. They are not able to supply the entire market, or if they attempt to do so by underselling their high-cost competitors they are likely to be denounced and perhaps prosecuted as monopolists.

Mr. Walter R. Ingalls, the engineer, from whose book on "The National Income" we have quoted heretofore, puts this case very well, as follows:

> That low-cost producers make large profits under prices which permit high-cost concerns barely to operate is surely not an iniquity. If, as is usually the case, their low costs are due to conditions which they have created, they are not responsible for the fact that prices are high; they have done their part toward lowering them and they show the way to the others. If all producers would do as well, prices would be lower. It is the low-cost producer who is rendering the best service to the public. He is the leader in industry. Any advantages that he may gain are but temporary, for after he has set the example the entire volume of production may be placed on the same basis and the public gets the benefit. There would probably be no automobiles running today if the Standard Oil Company had not organized and led the way in the petroleum industry. Moreover, the public can better afford to pay a given price to a low-cost producer than to one who makes little or no profit. The low-cost producer by doing his work with a less expenditure of labor, releases labor for other work, a consideration quite as important as price. His service to the public is incomparably greater than that of the producer who, selling his goods at the same price, makes no profit.*

Fruits of the Investigation

The results of Congressional investigations into economic conditions are almost invariably of a negative character. They seldom discover anything that was not pretty generally known among well-informed people before, and seldom are able to prescribe any effective remedy for conditions which they may criticise, but such a Commission as the one which has conducted this investigation carries a weight of authority, and its findings even of a negative character are worth what they cost for the information of the public. It finds that the distributive system is not an artificial system, foisted upon the country according to any plan, but has developed naturally and is constantly undergoing change. New ideas in merchandising are always being tried out, but they come to nothing unless the public approves of them. The "cash and carry" idea in retail trade has obtained considerable vogue, but does not suit everybody. The chain store is an attempt to introduce wholesale methods, and obtain a large aggregate profit by means of a smaller margin on a large turnover. The field is open to anybody who can reduce the "spread" in a manner acceptable to the public, and the reward will be great. It is not to be supposed that a Congressional Commission can make an investigation that is anything like as searching and effective as that which is constantly going on within and by the business community itself.

If the consumer is paying for unnecessary service, the remedy to some extent is in his own hands. If he will patronize those merchants who make a continuous effort to eliminate such items from their distribution expenses, he will share in any savings that are possible to make. But so far we have made little progress in this direction, as is evidenced by the figures for the retail meat industry gathered by the Commission. They show that the retailer's cost of operation increased from 10.0 cents per dollar of sales in 1913 to 18.5 cents in 1921, while his profits decreased in the same period from 3.5 cents to 2.7 cents per dollar of sales.

Harvard Research Reports

The studies that have been made by the Harvard Bureau of Business Research, of profit in several lines of business support the findings of the Congressional Commission. Their figures of the net profits and losses of department stores for 1921, the latest year available, cover 301 firms.

Net Profit or Loss in 1921 According to Volume of Sales
Net Sales = 100 Per Cent

Volume of net sales:	Net profit or loss
Less than $250,000	Loss 0.8 per cent
$250,000—$499,000	Profit 0.7 per cent
$500,000—$999,000	Profit 1.0 per cent
$1,000,000—$2,499,000	Profit 1.5 per cent
$2,500,000 and over	Profit 3.1 per cent

In 1922, which was a very much better year for the department stores, it is likely that a better record was made, but it must be remembered that big stores have to carry on all the time and that the largest part of their overhead costs is fixed and practically irreducible. The statement of Gimbel Bros., Inc., for the year ending January 31, 1923, shows total sales of $72,664,768, with net profits of $5,043,605, or a little less than seven cents on the dollar. This company has a very large business, with three stores, in New York, Philadelphia and Milwaukee, under one overhead management. R. H. Macy & Co., Inc., for the year ending February 3, 1923, show net sales of $49,615,229 and net profits of $3,136,942, or about 6.3 per cent.

The figures covering net profits of a large number of wholesale grocers have been collected by the Harvard Bureau and show the following profits per dollar of sales for the following years:

1916	1917	1918	1919	1920
3.3	4.2	2.1	2.2	0.8 loss

* "Wealth and Income of the American People," by Walter Renton Ingalls; published by G. H. Merlin Company, York, Pa.

The same authority gives the profits of retail grocery stores as follows:

1914	1918	1919
3.7	2.3	2.0

The Harvard figures for retail shoe dealers are interesting because they show the wide fluctuations to which this trade had to adapt itself during the war years, and the losses which took place when the buyers' strike brought about such a remarkable suspension of the purchase of high-priced articles of apparel and footwear. In the years from 1912 to 1915 the retail shoe man averaged a profit of 2.8 cents on each dollar of sales. In 1918 this figure rose to 7 cents and in 1919 to 9 cents. The following tabulation of the experience of 407 representative shoe dealers shows what happened in 1921:

Net Profit or Loss in 1921 According to Volume of Sales

Net Sales = 100 Per Cent

Volume of net sales:	Net profit or loss
Less than $30,000	Loss 6.4 per cent
$30,000—$49,000	Loss 1.5 per cent
$50,000—$99,000	Loss 0.4 per cent
$100,000—$249,000	Loss 1.5 per cent
$250,000 and over	Profit 0.6 per cent

Meat Packing Profits

Swift & Company's report for the last year gives much information to anyone who is interested in knowing the facts about a great business that is continually under the fire of uninformed criticism.

The first thing to note about the report is that it is made to over 45,000 stockholders, which shows that the profits are not to be regarded as the receipts of a small group of owners. About 16,000 of the stockholders are employes, and they own $21,000,000 of the $150,000,000 of total stock. This is a remarkable showing in view of the fact that it is within comparatively recent years that the employes have been encouraged to become stockholders.

The actual average prices per hundred pounds paid by Swift & Company for cattle, sheep and hogs during the last three calendar years are shown below, except that the figures for 1922 include only 11 months. They give a definite idea of the reduction that has occurred since 1920 in the income of stockgrowers:

	1920	1921	1922
Cattle	$9.51	$6.48	$6.48
Hogs	13.92	8.52	9.64
Sheep and Lambs	13.06	8.44	11.92

The average selling prices per hundred weight of beef in four important cities for each of the last five years is shown below:

	1914	1918	1919	1920	1921	1922
New York	$12.24	$18.03	$19.25	$18.58	$14.99	$13.69
Philadelphia	12.33	18.30	19.44	18.59	14.81	13.32
Washington	12.19	18.41	19.57	18.73	15.06	13.31
Chicago	11.59	16.33	17.62	17.02	13.61	11.86
Average (4 Cities)	12.09	17.77	18.97	18.23	14.62	12.61

In the year 1922 the gross sales were about $650,000,000, and after paying for live stock and meeting all operating costs except those representing compensation for the capital and labor employed there remained $76,549,217.03. Of this amount, $63,500,000 went for wages and salaries and $12,000,000 was paid in dividends to stockholders, which is on the basis of about $84 out of each $100 to labor and $16 to capital. The remainder, $1,049,217.03, was retained for use in the business and carried to the surplus account.

A Review of Profits

The book profits of the three biggest years ever known in the business, 1917, 1918 and 1919, aggregated $69,677,000. Of this sum $29,063,000 was paid in dividends, leaving about $40,600,000 for surplus. These were big profits and were a common subject of criticism. They were, however, largely paper profits, due to the fact that the business was operating on a rising market. In the next three years, 1920, 1921 and 1922, the market went the other way, and in order to pay its regular dividends the company had to draw on surplus to the extent of $25,600,000, to make good the shortage of current earnings. For the six years, 1917-1922 inclusive, the profits averaged 6.81 per cent on the investment, and 1.37 cents on each dollar of sales.

For the nine-year period, 1913-1921, the average profits of the five big meat-packing companies having headquarters in Chicago averaged 6.2 per cent on invested capital and 1.3 per cent on each dollar of sales. And this is the industry which has been the favorite object of attack by critics of big business.

As a result of the close margin of profit upon which the business has been operating, and as an effort to reduce operating costs, two of the five big Chicago companies, Armour and Morris, have been arranging a consolidation. The Secretary of Agriculture, who has certain powers of supervision over the industry, given by recent legislation, has raised objection to the consolidation on the ground that it will diminish competition, and the courts probably will have to pass upon the question.

Although the five big concerns are the conspicuous figures in the business, and by reason of their far-reaching selling organizations handle the bulk of the meats entering the large markets, it is evident to well-informed observers that some other influence besides the competition of these companies with each other is a factor in keeping the margin of profits down to the figure given above. The other influence is the competition of the small packers, something like 1,000 in number, located in all parts of the country, and many of them very important in size. If the large companies were

to attempt to take larger profits, these relatively small competitors would rapidly expand their operations.

It is a noteworthy fact that the alarming statements about the menacing powers of big business relate almost exclusively to the future. The record does not show that such apprehensions have been actually realized.

Foreign Financial Matters

The British Treasury's fiscal year ended March 31st, showed a surplus of income over expenditures of £101,000,000, and this after certain sinking fund charges sufficient to raise the actual surplus to over £120,000,000, at the present rate of exchange about $560,000,000. This is a remarkable showing for bad times, In view of the large surplus, the Chancellor of the Exchequer has proposed for the ensuing year reductions of taxation as follows: In corporations' profits tax to one-half the present rate; in the income tax, from 5 shillings to 4½ shillings in the pound sterling; with reductions upon beer, mineral waters and cider.

The British Board of Trade has recently published the results of an investigation of the trade, investment, and shipping statistics of the United Kingdom over several years, and the particulars for 1913, 1920 and 1922 are shown in the appended table:

	Millions of £ 1913	1920	1922
Excess of imports of merchandise, bullion, specie and diamonds	158	343	170
Net income from overseas investments	210	200	175
Net national shipping income	94	340	110
Commissions	25	40	30
Other services	10	15	10
Net "invisible" exports	339	595	325
Net balance available for investment overseas	181	252	155

These figures are from an official source, and undoubtedly are as trustworthy an estimate as can be had. They explain the rise of sterling exchange, and show an ample margin of national income to provide for the payments running to the United States. That is to say, the showing indicates that Great Britain is in a thoroughly solvent condition, with income from other countries more than sufficient to cover the payments which she has to make. There remains of course, the problem of shifting these credits in a manner that will make them available in the United States.

French Trade and Finance

Much interest is felt in statistical returns from France, as possibly reflecting the effects of the Ruhr occupation upon French trade and finance. The iron and steel industry has felt the loss of supplies of coke and coal coming from Germany. The number of blast furnaces in operation on March 1 was 77, against 90 on February 1 and 116 on January 1. Although there are vague reports as to losses to industry in general, unemployment has not noticeably increased nor do the finances of the government appear to have been seriously affected.

French securities and French exchange suffered a slump when the troops moved into the Ruhr, but have recovered to a great extent. The dollar bonds, bearing 8 per cent are back to par in the New York market. Franc exchange was selling in New York at the beginning of January at 7.42 cents; on January 6, after the Ruhr movement, it sold at 6.92; January 27 at 6.32¼ and touched low point at about 5.85 the middle of February. On March 10 it sold at 6.04, and after that moved up rather steadily to 6.66½ on March 31. The advance has been maintained, the present rate being about 6.78.

The Paris edition of the New York Herald reports an improvement in French revenue returns in March. The business turnover tax exceeded the estimates by 10 per cent and indirect taxation, including state monopolies, exceeded the estimates by 20 per cent. Customs duties, however, declined by 17 per cent, imports being affected by the depreciation of the franc.

The traffic receipts of French railways in the first two months of the year were 1,131,083,532 francs, against 1,081,045,421 in the corresponding months of 1922.

The long debate in the Chamber of Deputies over the 1923 budget, closed with a vote that the deficit should be covered by bond sales. The reluctance to increase taxation is possibly related to the fact that the entire Chamber must undergo the ordeal of a new election early in 1924. The members are all chosen at once and serve five years.

The Ruhr Situation

The Ruhr situation has undergone little change. The utterances of British statesmen reflect the anxiety of British trade interests for an adjustment of the dispute, but adherence to the belief that France and Germany must reach an understanding between themselves. The speeches of French and German leaders indicate that they are not very far apart in their ideas of the sum of reparations actually practicable, ranging from 30,000,000,000 to 50,000,000,000 gold marks, but the French are wanting security for payment and against future German aggression, which is not easy to give without touching upon German sovereignty in the Ruhr district, to which Germany will not consent.

The Ruhr situation undoubtedly is more critical for Germany than for France. There are many signs of a disposition on the part

of the German government to make advances, but evidently great reluctance to consider terms without assurance against any designs upon German territory. It is not generally believed that France will seek to actually annex the Ruhr region, but the idea of an independent buffer state appeals to the French very strongly.

The occupation of the Ruhr by French troops and the policy of passive resistence adopted by the German government and industrial interests, resulted in a catastrophic drop in the value of German currency, which in turn occasioned additional issues. The decline was so rapid that support seemed to be necessary in order that the currency might be used at all, and the Reichsbank came to the rescue, using the foreign bills in its portfolio to buy marks. It was not difficult to steady the mark temporarily in this manner, and the value was actually raised from about 50,000 marks to the dollar to 20,000. Obviously, however, permanent stabilization is out of the question while the quantity of the currency is being steadily increased.

The fluctuations of the currency and the effect of the Ruhr occupation upon state revenues and earnings of the state railways has completely upset all budget estimates. For that matter, however, twelve supplementary budget estimates have been submitted to the national parliament in the past year. The Economic Review, published by the Disconto-Gesellschaft, dated March 30, 1923, gives the principal items in the statement of the Reichsbank at intervals since the end of 1922, as follows:

	In Billions of Papermarks		
	Circulation of Bank-notes	Commercial Bills discounted	Treasury Bills discounted
December 30, 1922	1280	422	1184
January 31, 1923	1984	697	1609
February 28, 1923	3513	1829	2947
March 15, 1923	4273	2101	3756

The Reichsbank has raised the official discount rate within the last week to 18 per cent, furnishing additional evidence, if any were needed that rivers of paper money do not make it cheap, even in that sense.

Austria

All reports as to conditions in Austria are encouraging as to progress under the scheme for providing a sound monetary system. There has been no increase of the currency since last November, large economies have been affected in the administration of the government, and industrial conditions have improved. A foreign loan of approximately $120,000,000 is proposed to assist the Treasury during the period of adjustment.

The Scandinavian Countries

We referred some months ago to the disturbed banking conditions in several of the Scandinavian countries, due to the great expansion of credit which occurred during the war period, together with speculative operations in shipping and trade. More trouble has developed in banking circles recently.

Norway. This country has been passing through exceedingly difficult times in its two chief industries, fishing and shipping. We understand that shipping has slightly improved, at least to getting most of the tonnage employed, though with very little profit. Fishing has improved slightly and may continue to do so in view of the amicable arrangements now carried through with Spain and Portugal regarding the importation of wines. Within the last few months a number of small Provincial banks have either suspended or have had to be assisted by the Norges Bank.

In the last week of April two of the largest banks suspended and applied to the Government for Public Administration under a new law which was passed on March 24. These banks were the Andresens og Bergens Kreditbank, branches in Bergen and Christiania and the Centralbanken for Norge, Christiania. Our latest advices are to the effect that the Government has approved the application for Public Administration and that the Parliament has passed a law guaranteeing all liabilities for new business and is now considering the question of guaranteeing foreign creditors of commitments assumed prior to the Public Administration. The situation while serious is not considered chaotic and cable reports indicate that the public have taken these developments calmly.

Sweden has been in a considerably better shape industrially than Norway. It has been more prompt in handling weak banks. Several of the banks have been reconstructed but the large private banks have assisted so as to prevent any absolute failures. An institution was established known as the Kreditkasse of 1922 for the purpose of assisting weak banks. The Government contributed a total of 105,000,000 Kroner and the large private banks contributed 5,000,000 Kroner, making a total of 110,000,000 Kroner available.

Denmark. In Denmark there was a third reconstruction of the Danske Landmandsbank last February resulting in a guarantee by the State of all liabilities until April, 1928. This makes the bank thoroughly reliable, certainly until that date. The general situation in Denmark is probably not as good as in Sweden but things are quiet. None of the other large

banks have been in serious difficulties, though they have all suffered some losses.

Finland. As regards Finland, the political situation seems to be improved and the people to have the general situation well in hand. There is an active market for their pulp and paper, an increasing amount of which is being taken by the United States. The industries show many signs of expansion. An Economic Conference has been recently held at Helsingfors, in which representatives of the Esthonian, Latvian, Polish and Finnish Governments took part and as a result of which a number of resolutions were passed forming a groundwork for continued co-operation in economic respects between the above-mentioned States. It is expected that the next conference will be held at Warsaw.

India and China

At the annual meeting of the National Bank of India, Limited, held in London April 4, the chairman gave some interesting figures as to the absorption of gold and silver by India in 1921 and 1922. He calculated net exports of gold in 1921 of approximately $60,000,000, but net imports of gold in 1922 of approximately $90,000,000; net imports of silver in each year approximately $45,000,000 to $50,000,000. He estimated that in 1922 India received about one-quarter of the world's total production of gold and silver.

The annual meeting of the Chartered Bank of India, Australia and China was also held in London on the 4th ult., and the chairman, Sir Montague Cornish Turner, gave the same figures as to specie, and added the statement from Mr. Findlay Shirras, in his book "Indian Finance and Banking," that in 46 years, from 1874 to 1919, India absorbed gold coin and bullion to the value of £250,000,000. or about $1,200,000,000.

The chairman spoke hopefully of trade conditions in Asia, saying in part:

We can say, for instance, that the effect of the terrific slump in prices of commodities is gradually working itself out; that the top-heavy load of unsold or rejected goods in India, China, and the East generally has been very appreciably lightened, though at heavy cost, and that we see rays of encouraging sunshine in place of the depressing dark clouds which encircled our horizon and obscured our vision some twelve months ago. All that is to the good. A spirit, a rightful spirit, of caution prevails at the present time, and should be encouraged. Operators must work cautiously, and absolutely refrain from overloading Eastern markets with unrequired goods. We have no fear for the future. Once peace is assured —we cannot believe that the present chaos will be allowed to continue indefinitely—and the purchasing power of the consumer has been restored, we can reasonably expect an active trade between East and West.

India, for instance, with the advantage of a low exchange and the bountiful crops after two favorable S. W. monsoons, has surplus stocks of wheat, seeds, barley, rice, cotton, and other commodities, available for export as soon as the Western markets can take the goods. In regard to exports from India, it is worth noting that in the year 1922 shipments of raw cotton to Japan totalled about 263,000 tons, valued at Rs. 30,26,33,914. During the same period Shanghai took about 60,000 bales of yarn, compared with 500,000 to 600,000 bales some ten years ago, illustrating the unpleasant fact for Indian mills that the cotton mills in North China have increased with marked rapidity, and that there are today about 2,000,000 active spindles now at work.

International Trade of the World in 1922, 1921, 1920 and 1912

(By O. P. Austin, Statistician)

World international trade in 1922 approximated $45,000,000,000 against $40,000,000,000 in 1921, $65,000,000,000 in 1920, $75,000,000,000 in the high record year 1919, and $40,000,000,000 in the year preceding the war.

This estimate of the value of world international trade in 1922 is based upon returns from 33 principal commercial countries, transforming the currency valuations to United States Dollars at the annual average rate of exchange for 1922, 1921 and 1920, utilizing the normal par of exchange for 1913.

While higher prices are doubtless responsible for a considerable share of the increase in 1922, it is quite apparent that the quantity of merchandise moved is also greater than in 1921. In France, the quantity of merchandise imported in 1922 is stated at 51,000,000 metric tons against 40,000,000 in 1921, and of exports 22,000,000 tons in 1922 against 16,000,000 in 1921. In Belgium, the importation was 21,000,000 tons in 1922 against 17½ million in 1921, though the exports show a slight decline. In Netherlands the tonnage of both imports and exports show an increase in 1922 compared with 1921, and this is also true in Czecho-Slovakia, Greece and certain other of the European countries.

Apparently, however, a considerable part of the 1922 increase in value of international trade is due to higher prices. Of the 75 articles included by the U. S. Government in its monthly tabulation of import prices, about 60% show higher prices in December than at the beginning of the year, while on the export side about 65% of the 75 articles show higher prices at the close of the year than at its beginning.

That the United States is steadily gaining in its share of world international trade is evidenced by a comparison of the 1922 figures with those of earlier years. Our share of world trade grew from 9.8% in 1910 to 10½% in 1913, 14% in 1916, 17½% in 1920, and 16½% in 1922.

Another especially interesting development in the study of world trade in 1922 is found in the fact that the countries having excessively large paper circulation are falling back upon the gold unit in the statements of their 1922 trade. Germany is now stating her trade in gold marks, Russia in gold rubles, Austria in gold crowns, and Poland in gold Polish marks.

IMPORTS AND EXPORTS OF PRINCIPAL COUNTRIES IN 1922, 1921, 1920 AND 1913.

		IMPORTS				EXPORTS			
(000 omitted)		1922	1921	1920	1913	1922	1921	1920	1913
Australia*	£	103,066	163,802	98,974	79,749	127,847	126,643	144,569	75,100
Austria	gold crowns	1,591,000	1,699,000	—	—	1,017,000	904,000	—	—
Belgium	franc	9,398,000	10,051,440	10,054,000	4,636,000	6,183,000	7,139,844	7,147,000	3,634,000
Brazil	milreis	1,673,909	1,692,000	2,090,628	1,008,000	2,084,233	1,704,000	1,752,408	984,000
Br. Guiana	£	no data	no data	5,179	1,694	2,727	3,219	6,143	2,193
Br. Malaya	£	52,637	no data	no data	61,100	53,029	no data	no data	52,100
Br. So. Africa	£	47,238	49,278	101,827	41,828	57,026	57,960	87,668	66,569
Canada	$	762,339	799,478	1,336,920	659,000	884,363	802,700	1,272,660	436,000
Colombia	peso	—	33,068	101,398	28,536	—	63,042	70,372	34,315
Cuba	$	182,381*	562,039*	437,294	140,064	284,279*	394,515*	855,138	164,309
Denmark	krone	1,503,000	1,632,000	2,943,000	852,000	1,217,000	1,452,000	1,591,000	720,000
Egypt	E £	43,334	55,508	101,881	27,288	48,716	36,356	85,467	31,668
Finland	F. mark	3,953,000	3,583,000	3,627,000	495,400	4,461,000	3,386,824	2,926,000	404,800
France	franc	23,900,000	23,548,000	49,904,000	8,424,000	22,391,690	21,553,100	26,894,000	6,876,000
Germany	gold marks	6,200,400	6,021,600	—	10,769,700	3,970,000	3,600,000	—	10,097,000
Greece	drachma	2,361,996	1,701,816	2,131,000	178,657	1,568,031	842,220	664,113	118,921
Haiti*	dollar	10,719	12,000	27,398	8,100	12,350	5,000	19,000	11,300
Honduras*	£	3,201	4,181	3,858	1,540	1,347	1,357	2,083	954
India	rupee	2,436,000	3,360,000	2,076,000	1,608,000	2,903,000	2,568,000	3,264,000	2,460,000
Italy	lire	15,063,000	12,493,000	15,864,000	3,648,000	9,324,000	7,884,000	7,800,000	2,520,000
Japan	yen	1,874,000	1,620,000	2,340,000	732,000	1,630,000	1,248,000	1,944,000	636,000
Netherlands	guilder	2,026,000	2,244,000	3,336,000	3,918,000	1,221,000	1,368,000	1,704,000	3,083,000
Norway	crown	729,360	1,460,000	3,021,000	552,433	—	576,000	1,183,000	380,912
Peru	P £	10,581	15,521	18,358	6,089	18,637	15,700	35,304	9,138
Philippines*	peso	160,395	231,677	298,877	106,626	191,167	176,231	302,248	95,546
Roumania	lei	no data	no data	3,582,145‡	590,012	9,816,111	7,037,772	3,235,580	626,950
Russia	gold rubles	249,700	—	—	1,316,700	63,800	—	—	1,583,200
Spain	peseta	2,180,000†	2,269,000†	1,405,650	1,414,448	995,000†	1,085,000†	1,025,480	1,195,008
Sweden	crown	1,163,000	1,272,000	3,372,000	852,000	1,162,000	1,092,000	2,292,000	816,000
Switzerland	franc	1,915,000	2,296,000	4,243,000	1,919,820	1,762,000	2,140,000	3,277,000	1,376,400
U. Kingdom	£	1,003,944	1,086,687	1,932,649	768,735	720,496	703,196	1,334,469	525,254
U. S.	$	3,184,000	2,509,000	5,278,000	1,793,000	3,831,000	4,379,000	8,080,000	2,484,000
Uruguay	peso	43,037	39,719	48,165	50,353	77,485	70,265	80,752	68,496

* Fiscal year. †Nine months ending September, calculated on arbitrary valuation fixed by new tariff law.

IMPORTS AND EXPORTS OF PRINCIPAL COUNTRIES IN 1922, 1921, 1920 AND 1913; Stated in U. S. Dollars, Reduced at the Annual Average Rate of Exchange

	IMPORTS				EXPORTS			
(000 omitted)	1922	1921	1920	1913	1922	1921	1920	1913
Australia*	$ 456,582	$ 630,638	$ 362,245	$ 388,378	$ 566,362	$ 487,576	$ 529,123	$ 365,737
Austria	332,327	344,217	—	550,000†	206,044	183,150	—	450,000†
Belgium	723,646	743,807	743,996	894,748	476,091	528,348	528,878	701,362
Brazil	215,934	221,652	470,391	326,592	268,866	223,224	394,292	318,816
Br. Guiana	no data	no data	18,955	8,250	12,080	12,393	22,488	10,680
Br. Malaya	233,182	no data	no data	297,557	234,912	no data	no data	253,727
Br. So. Africa	209,220	189,720	372,686	203,702	252,625	223,146	320,865	324,191
Canada	750,904	716,332	1,193,870	659,000	871,098	719,219	1,136,485	436,000
Colombia	—	24,173	91,968	27,532	—	46,084	63,827	33,107
Cuba	182,381*	562,039*	437,294	140,064	284,279*	394,515*	855,138	164,309
Denmark	314,428	290,659	463,228	228,336	254,596	258,601	250,423	192,960
Egypt	191,970	213,706	372,884	132,893	215,812	139,972	312,809	154,223
Finland	85,385	76,676	140,365	95,612	96,358	72,478	113,236	78,126
France	1,959,800	1,766,100	3,493,280	1,625,832	1,836,119	1,616,438	1,882,587	1,327,087
Germany	1,475,695	1,433,140	1,708,722	2,563,189	944,860	856,800	1,206,900	2,403,086
Greece	77,946	98,535	237,180	34,480	51,745	48,765	73,916	22,952
Haiti*	10,719	12,000	27,398	8,100	12,350	5,000	19,000	11,300
Honduras*	14,180	16,197	14,120	7,500	5,967	5,224	7,623	4,646
India	699,132	883,680	807,564	520,992	833,161	675,384	1,269,696	797,040
Italy	723,024	537,156	793,200	704,064	447,552	339,012	390,000	486,360
Japan	895,772	782,460	1,179,360	365,268	779,140	602,784	979,776	317,364
Netherlands	780,010	756,228	1,147,584	1,575,036	470,085	461,016	586,176	1,239,368
Norway	127,565	217,938	498,465	148,052	no data	85,997	195,195	102,084
Peru	46,873	59,756	67,190	29,653	82,562	58,875	129,212	44,502
Philippines*	80,197	115,838	149,438	53,313	95,583	88,115	151,124	47,773
Roumania	no data	no data	70,568‡	113,872	67,731	85,861	63,741	121,002
Russia	125,000	no data	no data	708,000	32,000	no data	no data	783,000
Spain	308,906**	306,996	222,936	272,988	140,992**	146,801	162,641	230,637
Sweden	304,706	287,472	691,260	228,336	304,444	246,792	469,860	218,688
Switzerland	363,850	899,504	717,067	370,525	321,100	872,360	553,813	265,645
United Kingdom	4,447,472	4,183,745	7,073,495	3,734,739	3,191,797	2,707,305	4,884,157	2,557,987
United States	3,184,000	2,509,000	5,278,000	1,793,000	3,831,000	4,379,000	8,080,000	2,484,000
Uruguay	34,154	27,180	49,812	52,075	61,492	48,082	83,514	70,839
TOTAL	$19,354,960	$18,406,544	$28,894,521	$18,861,678	$17,248,803	$16,118,361	$25,716,490	$17,018,598

* Fiscal year. † Estimate, based on Austria-Hungary total.
‡ 1919. ** Nine months, based on new tariff law valuation.